

**DRAFT--MINUTES OF REGULAR
RETIREMENT BOARD MEETING**

Thursday, February 10, 2022

Virtual Meeting

6:00 p.m.

NOTICE: This virtual meeting of the Retirement Board was held pursuant to and in compliance with the Virginia Freedom of Information Act, Section 2.2-3708.2 and state and local legislation adopted to allow for continued government operation during the COVID-19 declared emergency.

All participating members of the Retirement Board were present at this meeting through electronic means. All members of the public may view this video of this meeting on the City's website at www.fallschurchva.gov.

1. **Call to Order** The virtual meeting was called to order by Chair Connie Rydberg at 6:09 PM

2. **Roll Call**

Present: Connie Rydberg, Charles Collier, Marshall Jarrett, Kevin Knudsen, Larry Little, and Richard Campbell

Absent: Nate Dupree

Staff Present: Cindy Mester, Meaghan DeCelle, Shari Davidson, Steve Mason and Kiran Bawa

Also Present: Kristen Michael, FCCPS COO

Robert Burrell, Segal Consulting

Mary Nye, AndCo Consulting

Lauren Albanese, Financial Investment News

3. Introductions and Welcome

4. Receipt of Petitions: none

5. Review and approval of draft Minutes from November 18, 2021 meeting:

Connie Rydberg moved and Richard Campbell seconded to approve the minutes of November 18, 2021 as presented. **The motion passed 6-0-1** (Nate Dupree absent).

6. Fourth Quarter of 2021 for the Basic and Police Pension Plans and OPEB—Mary Nye of AndCo Consulting

Market Performance:

Growth in the US equity markets experienced strong returns in the fourth quarter of 2021. Bond market performance was muted for the quarter due to concerns of higher interest rates and rising inflation. January of 2022 showed volatility in the markets while February is currently showing markets ticking up to the positive.

Returns over 2021 were nearly 30% across all broad US equity markets. International markets also performed well but lagged relative to their domestic counterparts. Bond market returns were broadly negative over the 1-year period.

Basic and Police Plan and OPEB Market Values, Net Flows and Returns on Investment were presented in a consolidated chart. Market Value for the Basic Plan at the start of the fourth quarter was \$136.7 Million with net flows of \$1.29 Million out of the plan, market gains of \$7.6 Million and an ending market value of \$143 Million. Thus the gross return for the Basic Plan in Q4 was 5.58%.

The Police Plan at the start of the third quarter was \$44.8 Million, net flows totaled \$423 thousand out of the plan, market gain of \$2.46 Million and the ending market value for Q4 was \$46.9 Million. Thus the gross return for the quarter was 5.52%.

Gross returns for the 12-month period were 15.17% for the Police Plan and 16.2% for the Basic Plan.

Asset Allocations: Fixed income is outside policy range on the lower end in the Police and Basic Plans due to negative returns.

Comparative performance for the Basic and Police Plans showed the Total Funds are ranking in the top decile in overall universe for the quarter and the five-, seven- and ten-year rankings. Individual fund managers are performing as expected with the exception of Templeton for international equities. AndCo recommends putting Templeton on watch while researching an alternative international equity manager. The Board concurred.

OPEB funds started at \$19.6 Million at the beginning of Q4, showed investment return of \$1.12 Million and an ending market value of \$20.7 Million. Growth in the OPEB plan for the last 12 months showed a gross return of 16.66%.

OPEB broad asset allocations show all funds within policy. Individual funds are also within policy with the exception of Vanguard Large-Cap index due to huge market growth. AndCo recommends watching the market for another period before making any adjustments and the Board concurred. Returns are tracking their underlying indices. The Q4 returns show 5.76%, ranking 8th in the universe. The 1-year performance rank the OPEB in the top decile.

Proposed Basic and Police and OPEB IPS Range Revisions: AndCo recommended the following shifts to class ranges and targets in order to rebalance the policy diversification and absorb anticipated fluctuation in asset classes: for Total Domestic Equities, broaden the allowable range from 45%-59% to 41%-61%; For Core Real Estate, move target allocation from 8% to 5% and allowable range from 6.5%-10% to 2%-8%; For Value Add Real Estate, create a target of 3% and an allowable range of 1% to 5%; for cash, increase allowable range to 0%-6%.

Marshall Jarrett moved and Rick Campbell seconded to accept the IPS Range revisions recommendation as presented by AndCo Consultants and direct Plan Administrator to forward these IPS revisions to Council for action. **The motion passed 6-0-1** (Nate Dupree absent).

7. OPEB Legal Structure Phase 2 Update

The Plan Administrator expects an OPEB trust agreement to be ready soon. New Plan Documents with revisions are anticipated to be ready for review and adoption at the next quarterly meeting before going to City Council for approval. Marshall Jarrett agreed to serve on a review committee for ad hoc legal documents pertaining to the Plans.

8. Recordkeeping RFP Development Consultant/award authorization

AndCo has offered to consult on the development of an RFP for Recordkeeping services. The current pension recordkeeper is Securian Financial. AndCo will perform this consultation as part of their annual retainer and not seek an additional fee.

Marshall Jarrett moved and Rick Campbell seconded to authorize the Plan Administrator, in consultation with the Chair to work with AndCo to begin the Recordkeeping RFP process. **The motion passed 6-0-1** (Nate Dupree absent).

9. Annual Disability Review –Meaghan DeCelle

There were no disability pension cases that required a detailed review at this time.

10. Annual Policy Review and Adoption the Board Ethics Policy and Contract and Purchasing Policy were distributed for review in advance of the meeting. There were no changes to the policies since previous adoption.

Marshall Jarrett moved and Rick Campbell seconded to accept the Ethics Policy and Contracting and Purchasing Policy as presented. **The motion passed 6-0-1** (Nate Dupree absent)

Each Board member and staff present confirmed that they have read and will abide by the Ethics Policy of the Retirement Board.

11. Trustee Terms and Election —Meaghan DeCelle

Two elected trustees of the Board are nearing the end of their three-year term on April 30, 2022: Rick Campbell for the Police Plan and Charlie Collier for the Basic Plan. Staff will coordinate the election for the 2022-2025 term and the elected trustees will be in place for the next quarterly meeting. Larry Little's term as a Council appointee is also expiring at the end of April. He can seek reappointment through the City Clerk's office.

12. City Council Annual Report—presentation follow up—Connie Rydberg gave a report to the City Council in January 2022 to cover the Retirement Board's actions and the health of the Pension Plans including Plan assets and returns, rankings and funded status. Of particular interest was the accounting of the Water Sale Proceeds which have added value to City over last six years of over \$6.7 Million. Council expressed appreciation for the Retirement Board's hard work and prudent management of the Plans.

Council member Letty Hardi asked if the Retirement Board would look into divesting from fossil fuels to align with the City's goals of environmental sustainability. Marshall Jarrett brought up that the US Department of Labor is currently working on guidance for pension plans on this issue. Mary Nye reached out to current investment managers and shared that the Basic and Police Plans' investment managers have less than 6% exposure in the fund in fossil fuel investments, roughly less than a total of \$600 thousand.

13. 2022 Work Plan Special Project timeline changes—Cindy Mester

The Plan Administrator presented recommendations for adjusting the Retirement Board 2022 Work Plan in order to prioritize special projects while balancing staff workload.

Marshall Jarrett moved and Rick Campbell seconded to direct the Plan Administrator to draft a memo for Board review, addressed to City Council regarding the ESG research workload requirements and to accept the 2022 Retirement Board work plan revisions as presented. **The motion passed 6-0-1** (Nate Dupree absent).

14. Employee Retirement Savings Plans Investment Fiduciary and Oversight update. Review is still a work in progress. Benefits Manager and city's Purchasing department are in conversation regarding a procurement for the savings plans vendor. Discussion regarding fiduciary oversight can be tabled to the May or September Retirement Board meeting.

15. Consent Agenda—Connie Rydberg

Items on the consent agenda were made public and provided to the Board in advance of the meeting for review. Items included the City Council Annual Report, Plan Administrator's Quarterly Report, deferred action on Plan amendments, and deferred action on policy updates.

Marshall Jarrett moved and Rick Campbell seconded to approve the consent agenda as presented. **The motion passed 6-0-1** (Nate Dupree absent).

16. Other business not on the agenda:

Trustees Connie Rydberg, Larry Little and Charlie Collier convened a meeting on February 7, 2022 to clarify the OPEB legal structure conversation.

Charlie Collier acknowledged that retiree Connie Brockway passed away and took a moment to honor her public service to the City.

17. Adjournment: Marshall Jarrett moved and Rick Campbell seconded to adjourn the meeting at 7:49 PM. **The motion passed 6-0-1** (Nate Dupree absent).

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